



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor

Ted Stewart
Executive Director

James W. Carter
Division Director

355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
801-538-5340
801-359-3940 (Fax)
801-538-5319 (TDD)

March 28, 1994

Mr. R. A. VanHorn
Manager of Mines
Umetco Minerals Corporation
2754 Compass Drive, Suite 280
Grand Junction, Colorado 81506

Re: Replacement Reclamation Surety & Reclamation Contract, Umetco Minerals Corporation (Umetco), Calliham Mine M/037/023, San Juan County, Utah

Dear Mr. VanHorn:

This letter is an attempt to resolve the issues which prevented the Calliham reclamation surety from receiving approval at the March 23, 1994 Board Hearing. The issues to be resolved are: (1) discrepancies in the disturbed acreage figures listed in the Reclamation Contract and Surety Bond, and (2) adjusting the reclamation cost estimate to account for the recent borehole and compressor complex amendments to the mining plan.

A narrative of Division permitting events may help explain the "how and why" of the situation. Please provide comment or clarification on any item which is incorrect in this narrative.

Narrative of Calliham Permitting Events

From a review of the Division files, it appears the Calliham "permit boundary" originally covered approximately 44.6 acres when the Sage site was included. After the Sage site was transferred to another company, the Calliham permit boundary included approximately 33.3 acres. The disturbance at the Calliham site at the time of the transfer of the Sage mine was estimated as 10 acres. This would appear to have been 10 acres of disturbance within a "permit boundary" of 33.3 acres. A reclamation cost estimate based upon 10 acres of disturbance was calculated by the Division for the Calliham as part of the transfer process. That estimate was escalated for five years into the future which gave \$33,700 in 1993 dollars.

In March of 1989, Division and Umetco staff performed site inspections of four sites, including the Calliham site. That inspection revealed a disturbed area at the Calliham Mine of approximately 19.7 acres. In February of 1990 the Division sent a



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revised reclamation estimate to Umetco for the Calliham site based upon 20 acres of disturbance. In April of 1990 the Division received a revised reclamation estimate for the Calliham site from Umetco. Umetco's estimate gave a total cost of \$30,104. Umetco's figure was based on 20 acres of disturbance and included five years of escalation (this means \$30,104 in 1995 dollars).

In September 1990 Umetco submitted an amendment to the Calliham mine plan for the addition of a borehole. In October 1990, the Division sent a certified letter to Umetco. The certified letter granted approval of Umetco's plan amendment and requested submission of a revised reclamation estimate which included the borehole amendment. No information regarding the reclamation surety was found in the file for the period of October 1990 to March 1991. An amendment to the Calliham plan was received by the Division on March 5, 1991 which added a compressor complex to the mine plan. An amendment received March 6, 1991 revised the location of the borehole previously described in the 1990 amendment.

In September of 1993 Umetco informed the Division of a change in surety companies and the need to post replacement sureties. In October of 1993 the Division sent a letter requesting the replacement sureties be posted for amounts escalated five years into the future from the present. The surety amount of \$30,100 for the Calliham Mine was escalated to 1993 dollars using actual escalation factors and then escalated using the projected escalation factor to \$34,800 in 1998 dollars.

It appears that the Division failed to recognize the unresolved issue of the revised reclamation estimate to include the recent amendments to the mine plan in the October 1993 letter. Therefore, the Division again requests that Umetco submit a reclamation estimate for the Calliham site which includes reclamation of the borehole and compressor complex amendments. The estimate should include five years of escalation from the present at an escalation factor of 1.42%. A copy of the Umetco 1990 reclamation estimate is enclosed for your reference.

The discrepancy of the acreages is much less complex and therefore easier to resolve. The reclamation estimate, Reclamation Contract and Surety Bond should reflect the actual condition of the mine site. According to the most recent Division inspection of the site, the disturbed acreage used in these three items should be 20 acres. The Division has prepared copies of the Reclamation Contract and Surety Bond forms based on 20 acres and utilizing the information provided by Umetco in the previous submission of these two documents. Please review these enclosed forms for accuracy, but do not fill in the surety amount until the Division has had an opportunity to review your revised reclamation cost estimate.

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Umetco may revise/amend the 20 acre permit area at any time in the future by submitting the appropriate information to the Division.

We appreciate your patience and cooperation in resolving this permitting matter. If you have any questions regarding this issue please contact me or Wayne Hedberg at the Division.

Sincerely

A handwritten signature in cursive script, reading "Anthony A. Gallegos".

Anthony A. Gallegos, (Tony)
Reclamation Engineer

jb
Enclosures
cc: Kate Kitchell, BLM, San Juan RA
Wayne Hedberg, Lowell Braxton (route)
M37-23TG.let

Umetco Minerals Corporation



P.O. BOX 767 • NUCLA, COLORADO 81424

RECEIVED
APR 16 1990

DIVISION OF
OIL, GAS & MINING

April 12, 1990

Mr. Holland Shephard
Reclamation Specialist
Department of Natural Resources
355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203

Dear Mr. Shephard,

I have reviewed the Calliham Mine (M/037/023) Reclamation Surety Estimate with Jim Hasty and Frank Barnett.

The following is our estimate of a revised estimate:

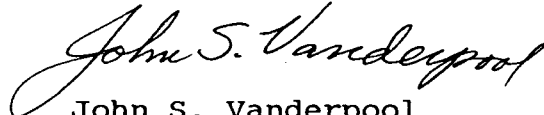
DESCRIPTION	QUANTITY	UNIT	\$/UNIT	COST(\$)
Dispose of Buildings (a)	6,700	Sq. Ft.	\$ -0-	\$ -0-
Construct Bulkhead (inside)	Lump Sum			1,100
Backfill Portal (b) to Bulkhead	Lump Sum			600
Remove Trash & Debris	20	Acre	6.6	132
Fill/Regrade Ponds	6	Acre	800.0	4,800
Regrade Ore Pads	4	Acre	800.0	3,200
Regrade Waste Stock- Pile (3.1)	5	Acre	800.0	4,000
Rip Roads (b)	3	Acre	175.0	525
Boreholes	3		333.3	1,000
Spread Topsoil (pads & Stockpile)	9	Acre	85.0	765
Re-Vegetate (b)	20	Acre	447.0	8,940
SUBTOTAL				25,062
10% Contingency				2,506
SUBTOTAL				27,568
Escalation (1.84% for 5 yrs)				2,536
TOTAL				\$30,104

OVER →

- (a) The buildings have salvage values that will exceed removal cost.
- (b) These costs are the same/unit as the Pandora Mine (M/037/012) costs.

Please review these costs.

Sincerely,



John S. Vanderpool
Chief Geologist

JSV/pkm

JSV#5

CC: F. Barnett
J. Hasty
N.B. Haubold
file